



City of Northampton

Review of Financial Offices

Division of Local Services / Technical Assistance Section

May 2014



May 7, 2014

The Honorable David Narkewicz
Mayor, City of Northampton
210 Main Street
Northampton, MA 01060

Dear Mayor Narkewicz:

It is with pleasure that I transmit to you the enclosed Review of Financial Offices completed by the Division of Local Services for the City of Northampton. It is our hope that the information presented in this report will assist the city in improving financial management operations.

As a routine practice, we will post the completed report on the DLS website www.mass.gov/dls and forward copies to the city's state senator and representatives.

If you have any questions or comments regarding our findings and recommendations, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at kingsleyf@dor.state.ma.us.

Sincerely,

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

cc: Senator Stanley C. Rosenberg
Representative Peter V. Kocot

INTRODUCTION

At the request of the finance director of the City of Northampton and with the mayor's consent, the Department of Revenue's Division of Local Services (DLS) completed a limited scope review of the municipality's finance offices. Based on discussions with the finance director, our review primarily focused on the practices associated with day-to-day financial management. We assessed areas that could be improved through more efficient resource use, enhanced technologies, and strengthened internal controls. Our report offers recommendations that are based on site visits, interviews, document reviews, and consultations by a DLS team from the Technical Assistance Section, Bureau of Accounts, and Bureau of Local Assessment.

FINANCIAL MANAGEMENT OVERVIEW

The governance of the City of Northampton is based on dictates found in its charter and ordinances. The charter, which was revised in September 2012, includes much detail on the roles and responsibilities of the principal officers responsible for managing city finances. It calls for a finance director, appointed by the mayor, to administer the city's fiscal operations through direct oversight of the offices of the city auditor, treasurer, collector, and assessors. The position also manages the annual budget process. The current officeholder was appointed in 2011 and previously served as business manager for the Northampton School District.

Our review of Northampton's financial operations involved meetings and other communications with the director and managers mentioned above, as well as with line staff in the financial departments. Additionally, we interviewed the directors of two departments that support citywide operations, namely, human resources (HR) and management information systems (MIS). We also reviewed and analyzed financial reports, budget documents, procedural forms, and reports annually submitted to DOR.

To construct the annual budget, which in FY14 was almost \$102 million, the finance director solicits budget requests from all city departments, compiles the data, meets with department heads to discuss figures, and works with the mayor to finalize a presentation to city council each spring. She also monitors budget reports during the year and oversees the effectiveness of ongoing fiscal operations, in part by chairing regular financial team meetings that include the city auditor, treasurer, collector, principal assessor, HR director, and MIS director.

Having been in her position for almost three years, the finance director continues to seek ways to best coordinate the requisite tasks of the offices she oversees, including requesting this review.

As we were completing this report, we received the FY2013 audit report from the firm of Scanlon & Associates. Its accompanying management letter cited only a small number of concerns, two of which are prospective cautions connected to changes in Governmental Accounting Standards Board rules. Based on the last three management letters, the finance director and city auditor have demonstrated good responsiveness to Scanlon's comments, with the number decreasing each year, and we encourage this continued attentiveness.

We believe that two recent initiatives by the finance director will also have significant impact on improving operations. During our review, the finance director successfully advocated with the mayor to relocate some offices, realizing that productivity can be improved by physical workplace enhancements. The front room of the Puchalski Municipal Building for many years was one, large, undivided space with a public-facing counter running its full length. The area behind the counter contained workstations for treasurer, collector and assessing staffers, and the department managers had office rooms at the back. The decision to move the treasurer and assessing departments to the main city hall building will relieve cramped work areas. In the other development, after diligent research led by the collector, the city will implement a contract with a lockbox company in July 2014. The collector department has sometimes had difficulty keeping up with mail volumes, but this contract should go far toward alleviating that situation.

Northampton's financial transactions are recorded in Munis, a Tyler Technologies software program operating in the cloud and accessible to all city departments. Under its Munis contract, the city currently uses these modules: general ledger, cash management, accounts receivable, and human resources. The assessing department maintains the town's real property assessment records and personal property accounts in Univers software. While Univers is also a Tyler Tech product, it is not fully integrated with Munis, although data is easily transferrable. Neither is Univers integrated with a geographic information system (GIS), but the assessing staff have access to data in the GIS maintained by the city's planning department.

Among the city's financial officers and supporting staff there is considerable professional experience. Collectively, we found the group to be proficient, conscientious, and collaborative. In recent months, however, some departments have had to handle personnel changeovers. The appendix of this report contains lists of the statutory responsibilities of each municipal finance officer. Below is a brief summary of current financial department personnel:

City Auditor. Northampton's city auditor has been in her position for six years. Her staff includes an assistant auditor, chief procurement officer, accounts payable clerk, and payroll clerk. The payroll clerk was recently promoted out of this department to become the new assistant treasurer, and the city has hired a new clerk to replace her in May 2014.

Treasurer. In April 2014, the treasurer retired after having served in the office for ten years, and the city is conducting a candidate search for his replacement. While this department had a succession of strong assistant treasurers over the years, after a vacancy in the position since

October 2013, a new and inexperienced assistant treasurer (the auditor's former payroll clerk) took up the job in March 2014.

Collector. The collector has held the position since 2000 after working her way up through the department over three decades. She supervises an assistant collector and three clerks. In addition, she oversees a separate parking unit that has a parking enforcement administrator/parking clerk and a parking hearing officer.

Assessors. Northampton's assessing office is overseen by a principal assessor who has worked in the department for more than 40 years. She also chairs the three-member board of assessors. The office staff includes an assistant assessor and clerk. The last assistant retired in April 2014 after 18 years, and a new assistant has been hired to begin working in May 2014. The clerk is in her first year with the department, having been hired in October 2013.

Based on our observations, below we provide a series of recommendations, arranged first by those that cross financial departments and then by ones more associated with individual departments.

OVERALL RECOMMENDATIONS

Develop Policy and Procedure Manuals for Financial Operations

We recommend that financial managers work with their staffs to develop written financial management policies and procedural manuals, particularly in the treasurer and collector departments. The manuals should outline the specific tasks required to accomplish objectives laid out in policy and explain the internal controls designed to assure the intended outcomes of activities. Emphasizing and explaining the rationale for controls can discourage circumvention. Further, the process of creating manuals can help managers to identify redundant controls and to make risk assessment decisions about the cost of sustaining certain controls or adding new ones. Manuals help to maintain services during unexpected employee absences and also support the training of new hires. Formal, written policies and procedures also factor favorably with credit rating agencies.

The manuals could be assembled in three-ring binders containing policies, statements of objectives, step-by-step instructions, and software application screenshots. However, they would be most useful in electronic formats on shared network drives. While some policies apply within one department only, others, like treasury turnovers, apply citywide and should be distributed accordingly.

Issue Directive on Employee Systems Access

As the city's systems administrator, the MIS director is the gatekeeper for all desktop users and for setting permissions for specific applications. Oversight responsibility for access to software like Munis must necessarily be segregated from departmental managers to effectively deter fraud, safeguard data integrity, and ensure employee accountability. While this is essentially Northampton's control structure, to protect all parties against attempts to undermine the authorization

chain, we suggest reinforcing it through a mayoral directive. Among other things, the directive should say that requests to create or modify any employee's user access privileges must be submitted to the MIS director in writing and include the department head's signature. Access granted should be limited only to what is necessary to do the employee's job.

Implement Help Desk Software

Presently, city employees who encounter technology issues seek fixes from the MIS department through informal requests communicated via email, phone, or in person. Implementing a help desk ticketing software to organize and prioritize these referrals would benefit overall city operations. Besides systematizing the resolution process, such a program would provide management reports that can highlight the need for training or technology-related capital investment. In a basic system, users log requests into a program that creates a ticket for each issue and then records the time of ticket creation, the technician assigned to it, the actions taken, and the ticket's resolution time. By establishing a structured workflow, the software becomes a valuable time management and recordkeeping tool. With many free or inexpensive help desk systems available, we encourage the MIS director to research which would be most appropriate for Northampton.

Institute a Budget Request Template

We recommend the finance director create a department-customized template for submitting annual budget requests. This could be designed in Excel and emailed to each department with instructions and a memo explaining the mayor's budget guidelines. Each department would receive a form with columns of figures for its actual salaries and expenses in previous years. The form would have a blank column for entering budget request amounts for the forthcoming fiscal year with a formula box at the bottom to calculate the total. It should also include an open space to enter statements of departmental goals and objectives for the new year. Once completed, departments would email the budget requests to the finance director. This change will reduce paperwork, improve the timeliness and accuracy of budget requests, and aid the finance director in compiling citywide numbers. The finance director could also consider talking to the MIS director about implementing Munis's budget module to further streamline the budget process.

TREASURER'S DEPARTMENT

Prioritize Cash Book Maintenance

Of the many critical controls associated with treasury operations, cash book maintenance is paramount. As the original entry record of city receipts, deposits, account transfers, and disbursements, it is not only a permanent legal document but should be relied on to provide the city's total cash position at any given time. Northampton's cash book is an Excel file whose maintenance for many years had been delegated to a series of assistant treasurers. With the departure of the most

recent assistant in the fall of 2013, the treasurer's long-time detachment from the cash book stalled efforts to get it up to date and reconciled to the auditor's general ledger. We therefore recommend that, upon taking office, the new treasurer complete the work of getting the cash book current and reconciled. Thereafter, we also advise him or her to take charge of its ongoing maintenance, develop a training manual for it, and train the assistant to be an adequate back-up.

While the current cash book used in Northampton is appropriately organized in Excel with separate spreadsheets for each month, it appears to be more complicated than necessary. Below, we suggest the components of a basic cash book.

Each month's beginning balance should be carried over from the prior month. Once the treasurer completes cash reconciliations for the prior month to bank statements and to the auditor's general ledger, if the reconciled balance is different, it should replace the initial beginning balance. The cash book itself should include columns for:

- The dates of each receipt, deposit, or disbursement entry
- The source or description of the activity type and assigned reference numbers
- Deposit amounts
- The total amount of each turnover, wire transfer, or other revenue (receipts)
- Total amount of each approved payroll or vendor warrant (disbursements)
- The cash balance after being adjusted for entries

The cash book must display activity for each bank account that the treasurer maintains. This could be shown as a continuation of columns to the right or on a separate spreadsheet. A typical cash book lists accounts with the highest level of activity first. Entries would indicate the accounts to which deposits and transfers are made and from which warrant payments are drawn. Listing activities by bank account and regularly checking them against the banks' online transaction records goes far to simplify the end-of-month reconciliation process. A sample cash book spreadsheet is included in the report appendix.

Address Wire Transfers

During our visit to Northampton, we saw firsthand the difficulty associated with sorting out wire transfers, which include a large proportion of ambulance receipts. The treasurer took a positive step by converting his manual wire log into an Excel spreadsheet. To further address persistent issues, we have included some practical guidance about managing bank wires in the report appendix.

Revise Turnover Policy and Procedures

Our review of practices associated with turnovers to the treasurer highlighted control weaknesses and aspects that could be made more efficient. To that end, we recommend that the finance director and next treasurer compose and circulate turnover policies and procedures that incorporate the following:

New citywide turnover form customized by department. An Excel-designed, standard turnover form tailored for each department should be issued via email. The new form would include the department name and lines for the dates and signatures of the department representative and treasurer staff member. The body would include columns prefilled with the department's associated revenue codes and descriptions. It should also include a payment column embedded with a formula to calculate total receipts. Customized forms will help the treasurer and auditor post revenues efficiently and provide ready information for the treasurer's cash book entries.

Deliver turnovers in person. The treasurer should institute fixed office hours for accepting turnovers and redirect back to departments any that are sent via intercity mail or left at his office. Upon presentation, treasurer staff should count the receipts to verify the turnover amount, sign the turnover form, make two photocopies of it, and return both copies to the department representative. Any errors identified by a treasurer staff member should be corrected on the turnover form by the department representative prior to being signed as accepted by both parties.

Make daily deposits and updates to the cash book. Within 24 hours of receipt, the treasurer should deposit turnovers in the bank and record them in the cash book.

Deliver copy of accepted turnover to the auditor. To provide a check and balance, MGL c. 41 §54 requires departments to give the auditor a record of any turnover made to the treasurer. This control is weakened if the auditor receives copies that have not been previously accepted by the treasurer. The department representative should keep one of the two copies made by the treasurer and deliver the other to the auditor. The auditor must insist that departments provide her with turnover copies signed by the treasurer. On an ongoing basis, auditor staff should check the figures on the turnover copies against those entered by treasurer staff into Munis before posting them to the general ledger.

Provide auditor with schedule of receipts. At least once a month, the treasurer should give the auditor a Munis report of his posted receipts. With this report, he should not include the turnover forms received from departments but instead retain them as independent records. The auditor should already have copies of them.

Consider allowing some departments to enter receipt data. All departments already enter their own invoice data in Munis, and many also enter their payroll data. Similarly allowing certain departments that have high receipt volumes (e.g., city clerk, school, etc.) to enter their receipt data into Munis will free up significant time for the treasurer staff to spend on other duties. Although these departments would still need to turn in their bank deposit slips, with the information already in Munis, the treasurer could simply transfer the amounts into the cash book, allowing for quicker cash flow recognition.

Ensure Proper Controls Over Petty Cash

In the copy of the cash book we received from the treasurer, we noted that there was a petty cash balance of about \$2,800, which is somewhat substantial. If departments are allowed to retain petty cash, we advise the treasurer to adhere to the following procedures:

- 1) Departments should be given a small starting balance (e.g., under \$50).
- 2) Departments must retain receipts for all petty cash expenditures.
- 3) When petty cash runs out, the department head should make a written replenishment request to the treasurer, who should not grant it unless provided with receipts documenting the expenditure of the prior amount.
- 4) Departments that accept over-the-counter payments should not commingle any portion of collected amounts with their petty cash, because, by law, all departmental receipts must be turned over to the treasurer.

Treasurer Maintain Check Stock

We recommend that complete responsibility for maintaining check stock be transferred to the treasurer's office. The final stage of warrant processing involves the generation of checks via a Munis print job that runs in the MIS computer room. Presently, the MIS director keeps blank check stock in a locked room within the computer room that is also locked. Weekly, an MIS employee fetches and then returns to the treasurer a smart card that allows the checks to print inscribed with his signature. As the city's cash custodian, the treasurer's office should have sole access to the check stock. We therefore advise that there should be a safe in the treasurer's new office in city hall to store the check stock and signature card. The check registry log that the MIS director maintains should also be transferred to the treasurer. Going forward, the treasurer will release to the MIS department only the specific number of checks necessary to cover the warrant. The MIS department would then return the printed checks and signature card to the treasurer, as before.

COLLECTOR'S DEPARTMENT

Revise Collector Work Plan

We recommend that the collector consider shifting away from assigning each staff member particular pay types to post, and instead adopt a work plan in which staff process payment batches as received from beginning to end, irrespective of pay type. With this change, the collector will be better able to check timeliness, assess performance, and provide feedback to staff. And since each pay type has varying, cyclical, high-volume periods, this system would also expedite processing throughout the year as all staff will be working the incoming receipts evenly.

A worker would grab a stack of unsorted mail and process all of it as a batch. For each batch, the same worker would open the envelopes, scan the bills and checks, post the payments on Munis, run adding machine tapes on the checks to compare with Munis batch reports, and provide the proofed batches to the person creating the end-of-day deposit. Within any given batch, payments requiring extra research can be removed and set aside in an exception batch to be completed when time can be devoted to them. Employees would also create batches from the random payments that they accumulate during the day at the counter.

Continue Renovations on the Work Space in the Puchalski Municipal Building

At the time of our visit, the mayor and finance director had begun considering renovations to the main front room of the Puchalski Municipal Building and since then have engaged the services of an architect to design a more functional and comfortable work environment. We commend the efforts to achieve this goal because a sound revamp can have a real, positive impact for hiring and retaining good employees and enhancing public perception of government. Based on our observations, we offer the following suggestions:

Move the mail processing machines out of the employee lunchroom and into the collector work area. If one of the vacated offices is large enough for employees to operate the machines comfortably, we suggest putting them there. This way, the office door can be kept closed, so employees do not have to hear the machines operating throughout the day.

Replace the room-length front counter. The replacement should be lower and narrower to facilitate interactions with all customers, including the disabled. The city might also consider breaking it into two counters, one for the collector group and one for the parking employees. Even if the overall space is not divided into two rooms, this will provide the public with a sense of a buffer between the two operations.

Install more cash drawers. Currently, all collector staff share one cash drawer for accepting payments, while the two parking employees share another cash drawer between them. By adding two more drawers to the collector side and one to parking, every employee working the counter can segregate the payments that they receive from walk-ins. Each employee would also close out his or her own drawer at day's end. Segregating cash drawers is a basic control that helps identify discrepancies, deter fraud, and protect workers. It also would facilitate our suggestion that workers process payment batches from start to finish.

Keep one vacated office for a private workspace and conference room. By doing so, the collector department will have a comfortable place to hold staff meetings. If a computer is set up in the room, it would also provide a quiet place for employees to spend undisturbed time to work on postings or other tasks. With adequate coverage available, the collector might consider building some time into the weekly schedule for each employee to work undisturbed and out of public view on researching exception payments, bookkeeping, or other tasks. This time away from the counter can boost employee morale and productivity.

Hold a staff meeting on ergonomic issues. We suggest that the finance director meet with staff to hear any ergonomic complaints they may have that could be addressed as part of the office rehab.

Issues could include air and lighting quality, and employees' physical comfort with their chairs, desks, computer equipment, and file cabinet arrangement.

Review document disposition schedule. Although the collector department follows a practice of reviewing the status of their stored documents on a roughly biannual schedule, it makes sense at the time of a move to redetermine what paperwork can be lawfully discarded, not only among the collector's files but also those of the treasurer and assessing departments.

Convert Departmental Receivable Schedules to Excel

Besides tax, excise and utility payments, the collector's office also collects charges billed by some city departments. In many communities, these types of payments are received by the departments themselves and then turned over to the treasurer, but Northampton seems to be satisfied with this arrangement. That being said, we found the tasks involved with processing these receipts to be very manual and time-consuming, and we therefore recommend that the finance director require departments to submit their bill schedules as Excel files.

Currently, certain departments send bill schedule warrants to the collector for nine categories of charges. Unlike tax, excise and utility receivables, which are accounts that the assessor and public works departments commit to the collector, these charges do not have Munis accounts. On a monthly, quarterly or annual basis (depending on category), departments present bill schedules to the auditor for sign-off and then deliver them to the collector's office.

All the bill schedules are hard-copy reports that list the charged parties and amounts, and for certain schedules, departments also include copies of the bills issued. The collector's office keeps three, three-ring binders into which staff fasten the schedules as received, each in its own section tabbed by department. When payments are received, collector employees write the amounts in the appropriate account lines in these binders and also in separate, hard-copy ledger books. After depositing the monies in the bank, the collector compiles and turns over receipt reports to the treasurer and auditor.

The use of binders and ledgers for recordkeeping on these charges is antiquated. The whole process should be digitized. By requiring the submissions in Excel, paperwork is eliminated, and the data is more efficiently maintained and securely backed up. Excel also has the advantage of automated calculation and sorting tools. In addition, we encourage the collector, finance director, and MIS director to explore the possibility of implementing Munis's General Billing module, which appears to be designed for these kinds of charges, as a possible alternative to an Excel-based system.

On a sample schedule page we reviewed for gasoline dispensed by the public works department, we noted a charge to a school cafeteria. We further advise the city to cease billing and collecting interdepartmental charges. Instead, the department head that is due the money should notify the auditor to charge the expense against the appropriate department. The auditor can then simply make

a general journal entry to transfer these expenses from one department's line item to the other. This is a cleaner process, and it avoids the creation of intercity checks.

Use Excel to Proof Batch Totals

As a verification control on each payment batch, an employee calculates cash and checks on an adding machine and compares the resulting tape to the Munis batch posting report. However, we noted that Northampton's collector staff overly repeat this proof and could simplify it by using Excel. Currently, staff run two adding machine tapes on every batch of received payments prior to posting them in Munis. One tape gets attached to the Munis report, while the other stays with the pile for later preparation of the bank deposit.

By using Excel for the tape proof instead, when the total is off, an employee can review the list of entered amounts online and change any incorrect entries without having to write corrections on a tape or to rerun it for a clean record. And although the tape attached to the Munis report is not necessary, if desired, a worker could print the Excel list and attach that, instead of running a second tape. It is our understanding that staff also run tapes on batches of bills. If a tape run on a batch of payments is compared to the corresponding Munis batch report, then running a tape on the bills is superfluous.

Deposit into the Treasurer's Bank Account.

The collector deposits all receipts in a bank account she maintains, which is a holdover practice no longer common among municipalities. Instead, we recommend closing the collector's account (and her account for parking receipts, if separate) and depositing all the department's receipts directly into the treasurer's general account. This would relieve the collector from doing bank account reconciliations and allow her to focus on reconciling her receivable control only. The department would still provide the treasurer with a weekly turnover sheet with attached deposit slip copies and give a copy of the turnover to the auditor. This change will also give the treasurer full control of all bank accounts and make funds available quicker.

Complete the Tax Title Program Sooner

Although the collector takes the required actions to move tax receivables into tax title and applies subsequent amounts to tax title accounts, we recommend that she complete the process sooner. At the time of our visit in February 2014, she had just completed tax titles for FY12 delinquents. Allowing people extra time to pay is understandable because it seems like good customer service and often ultimately results in payment. But all too frequently, it is the same property owners who choose not to pay taxes year after year. Although interest on tax titles accrues at 16 percent annually, that is a minimal revenue source. If people pay in the end, the city should act to induce payment sooner rather than later. We therefore encourage the collector to complete the tax title process within 12 months.

Consider Implementing Complus Collection Services

The parking division contracts with a vendor called Complus to provide hand-held hardware for creating tickets and database software for recording payments and tracking ticket enforcement. Violators can pay the parking unit by check, credit card or online banking, and the greatest volume is received by mail. Complus offers a collection service similar to a lockbox that could take over the division's mail processing function. We recommend that the collector do a cost-benefit analysis to determine if would make economic sense to expand the scope of the Complus contract to include this service.

CITY AUDITOR'S DEPARTMENT

Modify Payroll Processing

Based on our review, the current system for processing payroll involves some unnecessary steps and paperwork. In particular, the approval of employee work hours entails a very substantial amount of paperwork generation, departmental routing, and proofs by city auditor staff. To streamline procedures, we suggest the city consider implementing the following changes:

Report payroll to the auditor on department summary sheets only. MGL c. 41 §41 requires municipal payroll to be "sworn to by" department heads. Since the responsibility for payroll accuracy rests with department managers, the finance director could reinforce accountability by directing the auditor to rely solely on summary sheets signed by them as confirmation of time, attendance and payroll.

Instead of reporting each person's work or leave hours in a grid showing all 14 days of the pay period, the summary sheet would display only one line for each employee. Listed for each named employee would be totals of regular hours worked, overtime hours (if any), and leave time used (if any), plus the pay rate and total pay due. Details of the specific days worked or taken off would be recorded and signed for on individual time sheets, which will remain on file in the departments. DOR provides a sample payroll summary sheet on our website.

Disburse all bonuses and stipends at one time annually. Presently, department managers and auditor staff must track and make payroll adjustments for employee anniversary dates occurring throughout the year, creating extra work each pay period. Although it would require collective bargaining first, the city should issue a policy stating that bonuses will be paid during an annual designated week to all employees who are eligible at that time regardless of their initial qualifying dates.

List individual employee payments on payroll warrants. The city's warrant template lists salary account numbers by department and subtotaled dollar amounts. Per city ordinance, the warrant is only valid when it has been examined by the mayor or by the finance director as his designee. Therefore, for this review to be meaningful, each employee's gross pay should be presented in the warrant. This additional detail can either be included in a revised Munis-generated warrant or could be an attachment to the existing template.

Modify Vendor Warrant Process

We recommend that the auditor implement the following procedural changes to increase efficiencies and reduce paperwork connected with the vendor warrant.

Cease creating duplicate batch invoice reports. After departmental staff enter their accounts payable data into Munis, they print two batch reports and send both copies to the auditor with the original invoices, with one copy serving as a batch cover sheet. After warrant completion, the auditor's office returns the second copy to each department, noting any corrections that may have been made. Departments do not need these reports as confirmation since they can track payment progress in Munis. Also, auditor staff only correct accounts payable submissions after communicating with departments first, records of which can be saved as emails.

Include collector refunds on vendor warrants. Instead of creating a separate warrant once a month to pay collector-generated refunds, these payments can be included on regular vendor warrants, as most communities do.

Maximize EFT. The city's Munis contract already includes programming to support payments by electronic funds transfer (EFT), though this has been underused in Northampton. Maximizing EFTs would provide better cash management at lower costs than issuing paper checks, although it may require some staff training initially.

Establish an Internal Audit Function

We recommend the establishment of an ongoing internal audit function within the auditor's office. Operations within that department have reached a level of sophistication and coordination that extending its formal charge to implement this program on a regular basis is quite feasible. We suggest that the primary responsibility for carrying out the internal audits could be assigned to the experienced assistant auditor under the direction of the auditor.

In general, internal audits are designed to verify the existence of internal controls and assess their effectiveness. Controls can be preventative or detective, and examples include segregation of duties, approvals, authorizations, verifications, physical asset security, reconciliations, inventories, and policies and procedures. Routine internal audits serve to complement independent audits and provide additional support for strong fiscal oversight.

To be effective, an internal audit program must begin with the establishment of a top-down control environment committed to quality, competence, and accountability. We therefore suggest that it be announced through a citywide memo from the mayor, finance director, and auditor declaring the intent to reinforce proper financial management and other fiscal controls through periodic reviews of department records. It should also include a statement requiring city employees to be available to audit staff and to produce any materials requested by them. Finally, we suggest the city explore outside internal audit training opportunities. For example, some online webinars are available as well as short courses from professional organizations like the Institute for Internal Auditors, which offers government employee discounts.

ASSESSING DEPARTMENT

Expand Technology Use in the Assessing Department

Fiscal year 2014 has been marked by turnover in two-thirds of the assessing department's staff. The new assessing clerk has shown a strong aptitude for exploiting available technology to simplify tasks, and the principal assessor has been welcoming of these changes despite the methods she had relied on for many years. With the anticipated hiring of a new assistant assessor, there is a further opportunity to review everyday practices and consider how they could be made more efficient and economical. To encourage continued exploration into technological enhancements, we offer the following suggestions:

Download deeds from MassLandRecords.com. Instead going to the Hampshire County Registry of Deeds every couple of weeks and paying for photocopies of new deeds at \$0.75 each, assessing staff can access them for free on the web. The principal assessor can request that the Hampshire registry email her office every time there is a new deed, which staff can then search for on the Massachusetts Land Records website and print in-house for much less cost.

Cease updating orange property record cards. Every time a change is made to a property in Univers, an employee makes a handwritten update on its corresponding "orange card." These orange cards are remnants from the predigital age when assessors needed to maintain histories of all properties on paper property record cards. Univers records a data entry audit trail, and MIS has data backup protocols and disaster recovery plans sufficient to mitigate the risk of data loss. While the orange cards are worth preserving for historical reference, we encourage Northampton to join the majority of state communities that have stopped doing duplicative, hard-copy updates.

Show names of property owners online. On its webpage, the assessors' office provides the public with access to property information contained in the Univers database. However, the webpage database does not display any owners' names, which makes it less searchable. While state law requires communities to protect the addresses of police officers and judges, for all others, property ownership is a matter of disclosable public record that does not need to be withheld.

Expand the information on the assessors' webpages. Besides the property record data and forms offered now, we suggest the department provide more online content, like expanded frequently asked questions, forms of list, income and expense forms, and Chapter Land classification applications. Increasing the useful information available online helps reduce the phone calls and office visits that interrupt staff. The assessor could review webpages of counterparts in other communities for examples of comprehensive content.

Increase communication efficiency with property owners. By making greater use of spreadsheets, mail merge, and eventually, email, the office can simplify some repetitive annual communications with property owners. The new clerk has already recorded in an Excel spreadsheet the property owner data of people historically associated with tax exemptions, and she plans to use mail merge to automate the mailing of reminder letters to them. If these letters and forms were updated to request and collect email addresses, then in future years, reminders could be sent electronically, along with links to the forms or instructions telling where to access downloadable ones. This would reduce the cost of creating and mailing out forms and avoid

some abatements. Spreadsheets could also be created for other annual applicant lists like Chapter Land owners.

Maintain MLS access. It has become common practice in assessment offices to use multiple listing service (MLS) Realtor websites to supplement and track sales data. We encourage Northampton's assessors to ensure that they can stay current with this information also.

Consider long-range plans for the CAMA system. It is our understanding that Northampton is one of only a few local communities using Unifers for its computer-assisted mass appraisal (CAMA) system. While the department did not express any complaints with Unifers, sometimes using an uncommon software application can present future problems in the hiring or training of employees. We advise the principal assessor to consider this when it is time to renew the CAMA contract. She could research more common CAMA systems or modify the contract to ensure that Tyler Tech provides adequate training and support.

APPENDIX

Treasurer

Duties of the treasurer, excerpted from the Treasurers' Manual published by The Massachusetts Collectors and Treasurers Association (MCTA):

- Receive, take charge of, and account for all monies belonging to the city. Receive and identify monies due the city and report same to the auditor (MGL c. 41 §35).
- Maintain a cash book; provide for adequate funds for current obligations (through short- or long-term debt issuance); and invest the city's funds (MGL c. 44 §55, 55A).
- Pay out public money upon authorization by the auditor (MGL c. 41 §52, 56).
- Pay over and account for salaries and wages, including payroll deductions (MGL c. 41 §41); maintain payroll and personnel records (MGL c. 149 §178B and c. 175 §138A); when so appointed, administer unemployment compensation programs (MGL c. 40 §5E); assure compliance with labor, industry, retirement, and insurance laws; and monitor compliance with personnel bylaws, union contracts, and civil service regulations (MGL c. 41 §35).
- Negotiate all borrowing, prepare necessary documents and notes, and report the same to the Director of Accounts (MGL c. 44, §23, 24, 28).
- When budgets are submitted, report to the town auditor the amount of debt and interest due in the next fiscal year (MGL c. 41 sec. 59).
- Maintain custody of stabilization funds, pension reserve funds, trust funds, investments, and other funds not allocated to other agencies (MGL c. 40 §5B, 5D; c. 41 §46; and c. 44 §53).
- Maintain custody of the city's financial documents, including insurance policies, fidelity bonds, deeds, etc. (MGL c. 41 §57 and c. 44 §54).
- Maintain tax title accounts; conduct sales of land; and prepare documents to petition for foreclosure (MGL c. 60 §50, 61-63, 76-80).
- Close and reconcile all books and accounts including cash book, warrants, bank accounts, insurance programs, retirement funds, debt records, and tax title accounts.
- Prepare reports, including:
 - Reconciliation of treasurer's cash
 - Weekly or monthly reports to the auditor of receipts, balances, and payroll deductions
 - An annual report
 - Reports to the Director of Accounts, including quarterly reports of treasurer cash reconciliations and an annual report of cash management achievements

APPENDIX

Sample Cash Book Page

Treasurer's Cash Book

Month: _____

FY _____

Totals			32,200.00	32,200.00	(606,000.00)	
Date	Source/Description	Ref #	Receipts	Deposits	Disbursements (warrants)	Balance
01-Feb	Beginning balance					2,500,000.00
05-Feb	Collectors TO #234	B 1468	2,500.00			2,502,500.00
	Building Inspector TO #56	B 3579	3,700.00			2,506,200.00
06-Feb	Deposit			6,200.00		2,506,200.00
09-Mar	Vendor Warrant #26	C 450-479			(46,000.00)	2,460,200.00
11-Mar	Payroll Warrant #33	C 509-525			(560,000.00)	1,900,200.00
12-Mar	Wire transfer #xxxxx		26,000.00			1,926,200.00
	Deposit			26,000.00		1,926,200.00

APPENDIX

Sample Cash Book Page for Bank Accounts

Bank
Accounts

Month: _____

FY _____

Total Deposits	32,200.00	606,000.00	0.00	0.00	---
Total Withdrawals	<u>-606,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
Balance	676,200.00	631,000.00	50,000.00	1,175,000.00	

Date	Source / Description	General Account	"Bank" Vendor	"Bank" Payroll	"Bank" Money Mkt	---
01-Feb		1,250,000.00	25,000.00	50,000.00	1,175,000.00	---
05-Feb		2,500.00				---
		3,700.00				---
06-Feb						
09-Mar		(46,000.00)	46,000.00			
11-Mar		(560,000.00)	560,000.00			---
12-Mar						
12-Mar		26,000.00				---

APPENDIX

Guidance for Handling Wire Transfers and Ambulance Receipts

Managing electronic funds transfers (EFTs), also known as bank wires:

- The treasurer should instruct banks to send notifications of any EFT deposits not originating from city bank accounts. These could be faxed to his office or sent to an email address that is accessible by both the treasurer and assistant.
- Most importantly, bank EFTs need to be identified on an ongoing basis throughout the month to manage them efficiently.
- Review the EFTs to identify local aid distributions, other state and federal reimbursements, and grants and special revenues for which the city auditor has established accounts.
- Notify departments when their EFT grant and reimbursement funds are received.
- Enter EFT deposit amounts in the cash book, post the revenues in Munis, and include them in treasurer's report of receipts to the city auditor.
- Research any unidentified amounts by contacting the sending party noted on the advice for further details and/or by speaking with the city auditor. If necessary, distribute an email to department heads asking for their assistance in identifying the source and purpose of any unidentified funds.

Managing ambulance receivables

- Consider establishing a separate bank account for ambulance-related receipts. Often, ambulance revenues are a combination of EFTs from health care providers and federal agencies and monthly turnovers from the city's ambulance contractor.
- The ambulance contractor processes ambulance medical claims, sends bills, and provides collection services. There tends to be more lag time related to ambulance accounts and therefore no easy cut-offs from month to month.
- Generally, an ambulance contractor provides the community with three reports monthly:
 1. A high-level summary by date of the checks and EFTs that were paid directly to the community for the claims being reported.
 2. Details of the dates and payment amounts received by claim; notification of closed claims; and identification of amounts that are uncollectable and should be abated.
 3. Detailed back-up information for each processed claim.
- Working with the fire department, the treasurer should use these contractor reports to identify the bank deposits made that correspond to the department's turnover report. The batch number should be entered into the cash book next to the corresponding deposits, enabling the treasurer to track amounts received but not yet presented on a turnover report.

APPENDIX

Collector

Duties of the city collector, excerpted the MCTA's Collector's Manual:

- Furnish fidelity bonds for the collector and any appropriate staff with sureties payable to the city (MGL c. 60 §13).
- Verify that commitments received are duly and properly signed.
- Conduct a visual spot check of printed bills prior to mailing to ensure completeness and accuracy of information (MGL c. 60 §3, 3A) and compliance with DOR's prescribed form (MGL c. 60 §105). Verify that the total amount due, summed from the printed bills, matches the total on the signed commitment.
- Submit to the city clerk State Tax Form 214: Affidavit as to Time of Sending Tax Bills and retain a copy. Execute separate forms for each property tax or excise mailing (MGL c. 60 §3).
- Establish procedures for the daily collection, posting, and deposit of money collected.
- Maintain a manual or electronic tax commitment list showing the status of taxpayer accounts (MGL c. 60 §6).
- At least once per week, pay over to the treasurer all monies received along with a detailed report of all charges and fees collected (MGL c. 60 §2).
- Maintain a receivable control (or cash book) that records outstanding taxes due at the start of each month, with downward adjustments for collections, abatements, and exemptions, and upward adjustments for refunds (MGL c. 60 §7).
- Reconcile the end-of-month daily deposits and turnovers to the treasurer (MGL c. 60 §2).
- Reconcile outstanding balances with the auditor's records.
- Ensure that any deputy collector service contract conforms to DOR regulations (IGR 90-219).
- Establish procedures for:
 - Sending tax demands (MGL c. 60 §16)
 - Initiating tax takings (MGL c. 60 §53, 54)
 - Reporting bounced checks to the auditor
 - Generating municipal lien certificates (MGL c. 60 §23)
 - Running regular credit reports, researching potential refund payments, and creating a refund schedule for the auditor

APPENDIX

City Auditor

Duties of the city auditor, excerpted from DOR's Accountant/Auditor Manual:

- Verify that each expense payment is lawful and justified and that funding exists under the appropriate budget line item (MGL c. 41, §52).
- Maintain municipal books, including a general journal, general ledger, and subsidiary ledgers (MGL c. 41 §57).
- Maintain detailed records of all debt (MGL c. 41 §57).
- Retain custody of all contracts and surety bonds (MGL c. 41 §57).
- At the close of the fiscal year, receive from each department, board, or committee a list of bills remaining unpaid (MGL c. 41 §58).
- Certify in advance the availability of an appropriation for any construction contract in excess of \$2,000 (MGL c. 44 §31C).
- Certify to the assessor's expenditures, approved in advance, expenses in excess of available appropriations for snow and ice removal (MGL c. 44 §31D).
- For officers and department heads, prepare a monthly statement that shows the total appropriations, expenditures, and balances in each appropriation.
- Provide notification when an appropriation has been expended or appears likely to become overdrawn (MGL c. 41 §58).
- Furnish the assessors with a written report detailing money received for the preceding fiscal year from sources other than taxes, loans, and trust funds (MGL c. 41 §54A).
- By May 1 each year, notify the assessor in writing of the amount of debt falling due in the next fiscal year and the provisions made to meet debt requirements (MGL c. 44 §16).
- Immediately upon the close of the calendar year, prepare statements detailing the preceding year's appropriations and expenditures; appropriations for the current fiscal year; expenditures incurred during the first six months; estimated expenditures for the second six months; and estimates for the ensuing fiscal year (MGL c. 41 §60).
- Make an annual report that provides the receipts and expenditures for the past fiscal year from all funds; shows the specific appropriation amounts, expenditures and purposes; states any change in city debt; and lists indebtedness incurred and unpaid at the end of the fiscal year (MGL c. 41 §61).
- Annually prepare and furnish to the Director of Accounts a 1) Schedule A, 2) statement of public debt, and 3) Balance Sheet (MGL c. 44, §43).

APPENDIX

Assessor

Duties of municipal assessors, excerpted from DOR's Course 101 Handbook, *Assessment Administration: Law, Procedures, and Valuation*:

- For assessing board members: Complete required DOR Course 101 (830 CMR 58.3.1).
- Value all real and personal property within the municipality on a fair cash value basis (MGL c. 59 §2A, 38). Inspect property sales, implement a cyclical property reinspection program, complete annual property value adjustment analysis, and prepare for triennial certification of property values by DOR.
- Conduct inspections of building permit properties and determine new growth for the levy limit (MGL c. 59 §21C (f)).
- Fix the annual tax levy and set the tax rate. Participate in the preparation of the Tax Recapitulation Sheet (MGL c. 59 §21, 23).
- Assess and administer motor vehicle, farm, and boat excises (IGR 88-219).
- Commit original and apportioned betterments to the collector (MGL c. 80 §4).
- Prepare the valuation and commitment list (MGL c. 59 §43, 54).
- Sign the commitment under oath and send it with a warrant to the collector (MGL c. 59 §52, 53).
- Send notice of the commitment to the city auditor (MGL c. 59 §23A).
- Process and act on abatement and exemption applications (MGL c. 59 §59).
- Send copies of approved abatement and exemption certificates to the collector and auditor.
- Establish the annual overlay amount for insertion in the tax recap sheet (MGL c. 59 §25).
- Determine any overlay surplus.
- Commit delinquent municipal charges, including water and sewer liens and charges, to tax bills (MGL c. 40 §42, A-F and MGL c. 83 §16, A-F).
- Meet all regulatory requirements and assessment administration standards of DLS.

Acknowledgments

This report was prepared by the Department of Revenue, Division of Local Services:

Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs
Frederick E. Kingsley, Bureau Chief, Municipal Data Management & Technical Assistance
Joe Markarian, Director, Technical Assistance Section
Tara Lynch, Project Manager, Technical Assistance Section
Terry Williams, Field Representative, Bureau of Accounts
Sandra Bruso, Certification Advisor, Bureau of Local Assessment

In preparing this review, DLS interviewed or received information from these individuals:

Susan Wright, Finance Director
Joyce Karpinski, City Auditor
Annmarie Baron, Assistant City Auditor
Joseph Cook, Chief Procurement Officer
Heidi Sawicki, Clerk
Kristen Parmenter, Clerk
George Zimmerman, Treasurer
Melissa Lampron, Collector
Deborah Dunphy, Assistant Collector
Madeline Heon, Clerk
Cindy Parsons, Clerk
Beth Kaplowitt, Clerk
Nanci Forrestall, Parking Clerk / Enforcement Administrator
Joan Sarafin, Principal Assessor
Joseph Cross, Assistant Assessor
Michelle DeFranco, Clerk
Glenda Stoddard, Human Resources Director
Vanessa Oquendo, MIS Director